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<b>COUNTRY</b>	East Germany	<b>REPORT</b>	
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Functions of HV Absatz (Main Administration for Marketing) and its Principal Components

1. The Main Administration for Marketing was organized in July 1953. Its function is to manage DHZ Lebensmittel as a socialized wholesaling enterprise. Through the marketing organization instituted on 1 October 1953, HV Absatz also handles the distribution of the production of the VEB's as well as the marketing of imports. This function is accomplished by sale or exchange as set forth in written agreements with the consumer HO's, KG's (Konsumgenossenschaften), and DHZ-Lebensmittel.
2. The HV's import and warehousing offices (Kontore Import und Lagerung), called KIL's, are simply the continuation of the corresponding Niederlassungen Import und Lagerung (NIL's). KIL Fats, Meat, and Dairy Products handles the warehousing of meat, fats, and butter, both domestic and imported. It undertakes the storage of eggs and the importation of cheese. It also markets butter, margarine, and cheese.
3. The Central Marketing Office of the Fishing Industry (Zentrales Absatzkontor der Fischwirtschaft), called "ZAK Fisch", takes over that portion of the canned fish imports intended for immediate consumption. It also handles the canned fish from governmental reserves and fresh fish both imported and domestic. Part of the fresh fish is delivered to the fish-processing establishments, through "ZAK Fisch". The rest is passed to the Aussenstellen branch offices for distribution to the public.
4. "KIL Sorti" (KIL Sortiment und Genussmittel), through its five frontier import stations, takes over all imports (not just food and table luxuries) and is, in this case, purely a forwarding import agency, since the functions of the DIA's end at the frontier. Only where there are no more than two addressees, do the DIA's undertake delivery to the ultimate consumer. "KIL Sorti" takes charge of sugar and starch five days after production; it stores these wares for its own account partly in factory warehouses, partly in its own warehouses; credits them; and sells them to the scheduled recipient according to the planned quotas. Furthermore, imports of vegetable

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products and table luxuries are taken over by "KIL Sorti" and, in the case of raw materials for industry, are sold to industry or to the scheduled recipient according to the planned quotas.

5. The marketing offices (Absatzkontore) of the Bezirke sell or exchange products which are classed as VE production of the Bezirke. These offices are also required to sell the production of the VEB's which are centrally managed (VEB-z). Since most of the local marketing offices attempt primarily to stimulate full production in their own local enterprises (VEB oe), difficulties are always developing to prevent capacity production and plan fulfillment in the centrally-managed enterprises, though they are the largest enterprises of their kind in East Germany.
6. The Central Marketing Departments (Zentrale Absatzabteilungen) have the function of insuring the full use of the VEB industry in their branch of industry. They give marketing instructions to the Absatzkontore, and during the negotiation of contracts, they suggest the firms which can deliver the appropriate products.
7. Relations between the Absatzkontore and the producing enterprises are regulated by written agreements. There are four different forms of these agreements:
  - a. Type 1. The Absatzkontor agrees to take over at its own expense the entire production of an enterprise, immediately upon completion and to sort it and forward it from a central warehouse. This is on the assumption that specific agreements are made with the requisitioners concerning varieties and quantities. This form of agreement is utilized in only one instance, in the case of the Dresden candy firms, Gero, Tell and Felsche. For this arrangement, the enterprises pay 40 DMEs per ton as distribution charges (Vertriebskosten).
  - b. Type 2. The Absatzkontor assumes 100 percent of production and performs the crediting function. Shipping is assumed by the producer.
  - c. Type 3. The Absatzkontor makes a commitment with the trade agencies to accept 100 percent of production, thereby guaranteeing plan fulfillment. It takes 3 percent of the manufacturer's selling price (Herstellerabgabepreis) as handling charge (Vertriebskostensatz).
  - d. Type 4. The Absatzkontor handles only a part of the production of the firm with which it makes the agreement.

#### HV Absatz and the Ministry of Trade and Supply

8. It is the responsibility of HV Absatz to see that all goods produced are actually marketed, and that, in this way, the plan for production and supply is fulfilled. In this respect, its activity is dependent upon two sections of the Economic Plan for East Germany, the Production Plan and the Distribution Plan. The Production Plan section is drafted by the Ministry of Food Industry. The Distribution Plan is worked up by the Ministry of Trade and Supply. Both plan sections are passed to the State Planning Commission; they are there correlated and returned to the pertinent ministries as working bases. The figures of both plan sections are identical. The following instances, however, go to show that the plans are completely unrealistic and that such a working basis is bound to result in economic confusion. In most quarter-years and also at the end of the year 1953, the "Ist" (actual production) was arbitrarily equated with the "Soll" (planned production), in order to make the plans 100 percent fulfilled and more.
9. At the end of the year 1953, governmental wholesalers (sic) had on hand goods to the value of 53 million DME (GAP-Großhandelsabgabepreis) more than the plan called for. To these were added further large quantities from governmental and cooperative trade supplies. All these quantities were disregarded in setting up the Distribution Plan. Yet producing enterprises, in calculating their labor force and finances,

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took as a basis for calculation these erroneous distribution figures and production figures. On the other hand, the scheduled recipients made agreements on the basis of what, in their opinion, would be the actual quantities required by consumers, taking account of their existing stocks of goods. Therefore, in the first quarter of 1954, considerable numbers of workers in the producing enterprises should have been laid off. Yet lay offs were made illegal, in view of the Foreign Ministers' Conference scheduled for January 1954, and the Raete of the Bezirke were instructed to see that this law was carried out. Production was continued without any plan. A number of enterprises instituted cleaning up campaigns and any other possible activity in order to keep their workers employed.

10. After this complete plan failure, the Ministry of Trade and Supply had to set up a new distribution plan for the year 1954 with different totals in all plan positions. The entire production plan was therefore altered. If new difficulties arise, still another plan will be worked out. It is not at all unusual for a plan to have validity only at the end of the quarter for which it is made. The result is that through these manipulations, the producing enterprises do not fulfill their plans and, therefore, have no claim to a portion of the Directors' Fund and no awarding of bonuses. In this way, the worker is possibly cheated.
11. The Ministry of Trade and Supply clings tenaciously to its false plan figures and is not willing to undertake necessary adjustments. The marketing offices (Absatzkontore) of the Food Industry carry on sales shows (Verkaufsveranstaltungen) and conclude contracts (Vertragsabschluesse) in the Bezirke. In this connection, scheduled recipients request to be permitted to purchase above and beyond their quotas. The selling enterprises are only too glad to assume additional quantities with an eye to the fact that other Bezirke have not sold their quotas (because of erroneous planning). Only after tedious negotiations is the altered plan published, and by that time the quarter is past. The public has to bear the brunt since it can not buy the goods it needs. In February 1954, an order was promulgated allowing a Bezirk to yield its quota to other Bezirke when the quota is not exhausted. The result of this order is that a needy Bezirk must approach all the other 13 Bezirke with its request, and by the time it succeeds in securing its wants, the Plan quarter is past. In this instance, the public is prevented from purchasing the food it needs.
12. Planned production of cigars for 1954 runs to 750 million units. On 31 December 1953, there were 56 million cigars on hand in the factories. The average consumption of cigars in East Germany for a quarter is 90 million units, for a year 360 million. Hence, at the end of the year there should be an inventory of 390 million cigars, not counting the 56 million aforementioned. When the tobacco expert, Dr. Faber, objected to the economic waste in such a situation, the answer was that the "Grotewohl Activity" in Eichsfeld should not be disrupted. This was a reference to the 1953 increased production at Eichsfeld to create work for the local labor. The State Planning Commission gave HV Marketing the good advice to export the surplus cigars.
13. As a result of foolish planning and unplanned surpluses in the fourth quarter of 1953, 4,000 tons of 12,000 tons of marmalade were not utilized. In the first quarter of 1954, only 3,000 tons were contracted for, though production remained at 12,000 tons.
14. The firms producing baked goods were working at only 30 percent of capacity. The situation was settled by instructing the large consumers (large kitchens and the KVP) to serve baked goods at least twice a week for the midday meal, in view of the potato shortage.

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